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## INDOT 2000-2025 Long Range Plan

### Fiscal Forecast

#### INDOT Long-Range Plan Fiscal Forecast

The long-range fiscal forecast has been developed after analyzing various funding scenarios for the department. Historically, INDOT has made an assumption of two percent revenue growth over the long term. The assumption was made primarily for one reason, to be conservative. INDOT wanted to ensure that both the residents of Indiana as well as the construction industry would not anticipate more projects than the agency would be able to fund. Although certain revenue items for the department have shown slow but steady increases, there are a number of items that are highly fluctuating. INDOT did not want to err by making assumptions about these highly fluctuating items, and therefore was satisfied with utilizing a conservative approach.

INDOT realized that while being conservative on the fiscal forecast can be safe, it can also hinder development if people "assume" there will be no funds available for projects. In other words, a low forecast may delay a project that might have been developed faster if a more accurate fiscal forecast had been employed.

The budget forecast was developed in 2000 for the 2000 to 2025 time period by the Division of Policy and Budget (now known as Budget and Fiscal Management). The forecast is made in three segments. The first segment is made up of the 2000 to 2001 biennial budget. The second segment is considered as medium-term (2002-2011) and the third segment is considered long-term (2012-2025).

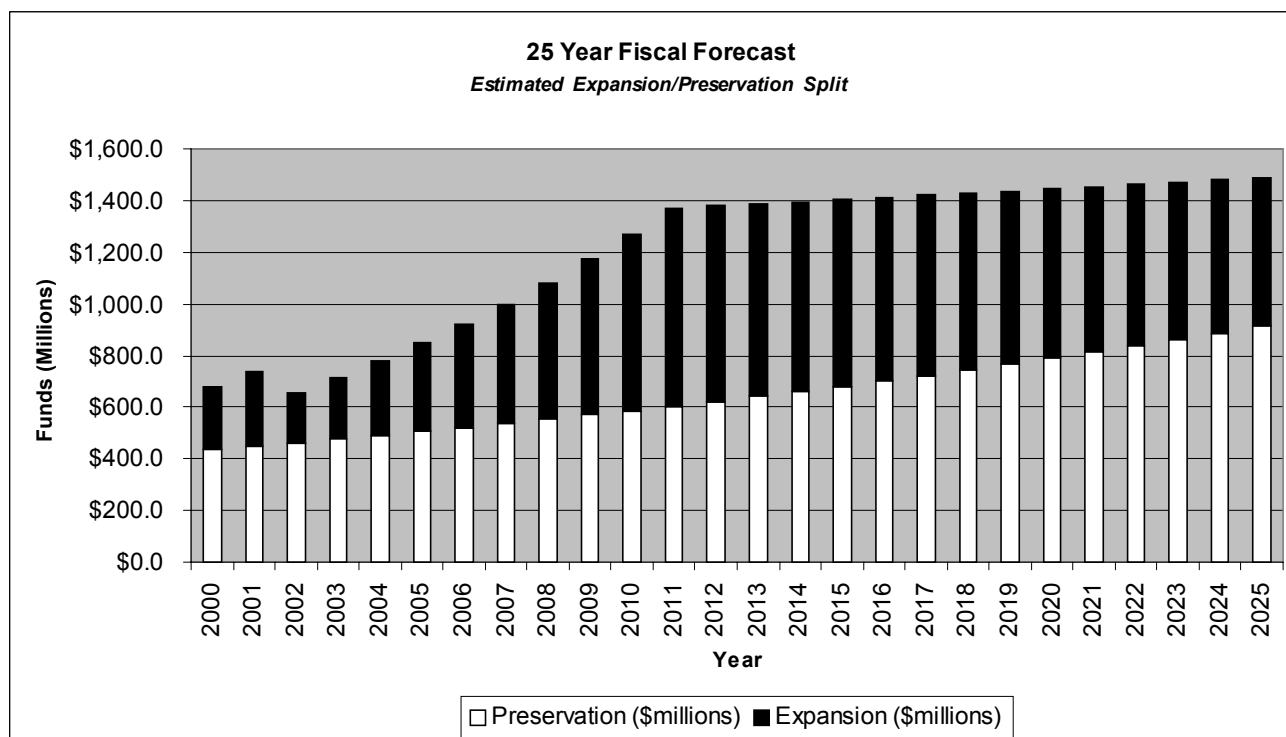
The first two-year segment in the forecast is based on analysis of the 2000-2001 biennial budget, adjusted for changes since the adoption of the budget. Revenue projections are made on a quarterly basis by the Budget and Fiscal Management Division and are reviewed by the Chief Financial Officer. Examples of revenue adjustments might include changes in fuel tax collections based on changes in retail fuel prices or changes in motor carrier traffic volumes. All non-construction uses of funds are also updated quarterly to reflect changes in current business situations. Examples of non-construction use adjustments may be needed due to inclement weather (increased payroll and salt expenses for plowing) or a new or modified program that the department has approved. The difference between the revenue projections and the non-construction uses is available for the construction program.

The second segment of the forecast is for fiscal years 2002-2011. This medium term forecast marks a change for the agency. For this time period, INDOT analyzed historical data for both revenue and non-construction expenses from the previous ten-year period. During this time frame, INDOT revenue and non-construction expenses increased at a rate higher than the forecast assumption. Therefore, the 2002-2011 period in the fiscal

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forecast assumes these trends will continue. Based upon these historical standards, we believe funding for needed projects will be available.

Figure 8-1



It should be noted that the historical revenue increases have included increases from standard revenue sources as well as new sources of funding to the agency. An example of an increase from a standard revenue source would be Indiana's receipts from the Federal Highway Trust Fund (which is composed mainly of federal fuel taxes). In 1998, the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) changed the formula that determined the amount of money that states receive from the trust fund. This change brought an increase to INDOT's revenue for the life of the bill (1998-2003). An example of new funding to INDOT would include the Crossroads 2000 program. This program generated revenue for INDOT through increases in fees charged on Bureau of Motor Vehicle transactions. The additional funds have given INDOT the ability to bond \$400 million in projects. Additionally, INDOT will build other projects with the new revenue until road lease payments are due on the bonded projects.

The final segment of the forecast is for fiscal years 2012-2025. This final segment is a combination of the change in the medium term forecasting with the conservative approach. In essence, we combined the aggressive assumption that additional resources will be provided with the traditional approach of assuming very low growth. The result attempts to balance future planning and programming of projects with unknown resources to accomplish project completion within a reasonable time.

For the years 2012-2025, INDOT has tied the available resources for construction to a level that assumes construction spending will remain constant on a per capita basis. The 2011 forecasted total construction program totals \$1.37 billion. In 2011, Indiana is projected to have a population of 6.44 million people, thus creating a per capita

construction spending figure of \$212.80. This approximate construction dollar per capita figure is assumed for the final segment of the Long Range Plan fiscal forecast.

There are a number of assumptions that were used in the development of the long-range fiscal forecast. As with all forecasts, many assumptions must be made. For example, for purposes of the initial forecast, an assumption was made regarding the breakdown of funding being spent on expansion projects versus [preservation activities. Based upon historical funding trends, preservation activities as shown in white in Figure 8-1, were assumed to increase three percent per year over the course of the twenty-five year forecast period. It should also be noted that the expansion category includes a significant amount of preservation activities in the form of pavement replacement on existing highway segments which have been identified for added travel lanes. INDOT has attempted to use both historical data as well as conventional wisdom in making this forecast. Although the forecast is subject to differing opinions of others, the department's goal was to provide a starting point for developing a long-range construction program for the State of Indiana. Again, it is important to note that the fiscal forecast assumes additional funding from some source will occur in the future. The time and amount of the additional funds are not forecasted.

Figure 8-2

<b>Long Range Fiscal Forecast</b>			
<i>Initial Estimate of Preservation/Expansion Split</i>			
<b>Funding Period</b>	<b>Preservation</b>	<b>Expansion</b>	<b>Total</b>
2000-2004	\$2,319.0	\$1,250.2	\$3,569.2
2005-2009	\$2,688.4	\$2,337.0	\$5,025.4
2010-2014	\$3,116.4	\$3,682.9	\$6,799.3
2015-2019	\$3,612.8	\$3,489.9	\$7,102.7
2020-2025	\$5,102.7	\$3,705.7	\$8,808.4
	\$16,839.3	\$14,465.7	\$31,305.0

*Note: All figures are listed in millions of current (2000) dollars*